

Options lend strength to position during office lease transaction

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DALLAS/FORT WORTH, TEXAS - All real estate transactions are highly negotiated. The outcome of such deals is determined by which party has the most power, which party has the market in its favor and commands the resources to win the most concessions from the other side. In every negotiation, there is a range of outcomes. And the negotiator's job is to use the resources available to create an outcome that is as favorable as possible for the negotiator's client. In an office leasing transaction, the power generally lies with the landlord, but the tenant representation specialist can be an equalizer for the tenant.



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The landlord has market knowledge, negotiates numerous transactions every year and chooses the lease form. The tenant generally has few or none of these advantages. What a tenant representation specialist does is give a client alternatives, expertise and knowledge to increase its ability to negotiate a good deal.

The tenant's muscle comes primarily from having space

alternatives and the willingness to move if its needs in its current space are not met. Once the landlord understands the tenant has options and is willing to walk away, the landlord should be ready to negotiate a market deal.

Finding good alternatives takes both market knowledge and time. Because they have companies to run and are not in the real estate business, the senior executives responsible for finding a company's office space generally have little of either. The tenant representation specialist has plenty of both. The tenant representation specialist can negotiate the lease to improve all economic components and reduce the potential liability to the tenant. And the lease rate is only one of many economic considerations in a lease. Examples of other important economic components include the tenant improvement allowance, architectural and engineering costs, operating expense stops and

caps, subleasing and assignment rights, parking costs, rental abatements, and moving expenses.

Negotiating also takes experience. We live in a society where negotiating is not the norm; many people are uncomfortable with haggling. However, the leasing of office space is a highly negotiated business; the landlord expects the transaction to be negotiated. If you don't negotiate, you could pay too much.

It's the tenant representation specialist's job to ask for concessions for the tenant, and he or she should test the limits to find out if there is room for further negotiation. In addition, the tenant representation specialist should be experienced at structuring the negotiation to keep the channels of communication open, while also communicating that the needs of the tenant must be met or the tenant will take its business elsewhere. If handled well, the negotiations should proceed in a friendly non-confrontational manner, but with the landlord always aware that the deal can easily go elsewhere.

Frequently in a renewal situation, and occasionally in a new lease, the landlord will attempt to obstruct the tenant's right to have representation in a transaction, usually by refusing to pay a commission to the tenant's agent. However, the tenant pays a commission for the landlord's broker as well as its own, regardless of whether the tenant is represented or not.

Market rates are set with commissions built in. If the tenant is not represented, the landlord keeps the commission it has budgeted into the lease rate. In addition, the landlord will get a higher lease rate, pay less in tenant improvement dollars, and avoid having other profitable clauses negotiated out of the lease.

Selecting the best person and team for the job can save hundreds of thousands of dollars-dollars that go straight to the bottom line -as well as weeks worth of valuable management time and untold aggravation, annoyance and potential liability. Everyone likes to get a good deal. A tenant representation specialist can give a client an advantage in getting that deal. Select Dave Besserer @ Bradford.com to receive high quality representation with significant experience.

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